



MANUFACTURING  
EXTENSION  
PARTNERSHIP™

**National Institute of Standards and Technology**

COOPERATIVE AGREEMENT RENEWAL

# **OPERATING PLAN GUIDELINES**

**February 2012**

VERSION 3

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## PART I: BACKGROUND

### Overview

This document provides guidance for creating the annual HMEP Center Operating Plan and describes the main components and deliverables that are reviewed as part of the Center renewal package submission. Where the terms of the HMEP award differ from the Recipient's proposal, Operating Plan or other required plans, the terms and conditions of the award shall prevail. The Recipient is obligated to bring to the attention of the Grants Officer any perceived differences between the terms and conditions of the award and the Recipient's proposal, Operating Plan and other required plans.

NIST HMEP considers these Guidelines to be a living document. Comments are always welcomed and encouraged. The Guidelines will be revised from time to time to reflect changing programmatic needs. Revisions will be transmitted uniformly to Centers with sufficient lead-time to accommodate any changes. Centers are encouraged to contact their HMEP Federal Program Officer (FPO) or Regional Manager for Strategic Transformation (RMST) for assistance or with comments or questions.

The plan consists of the three basic steps that reflect the alignment of the following:

- Center mission and vision,
- Goals for the operating year and implementation of strategic goals and associated tasks, and
- Supporting budget.

*Centers may always expand on the minimums shown in this document.*

**NOTE: Draft Operating Plans** must be submitted with all associated forms and supporting documentation listed below to the Center's assigned NIST HMEP **FPO 90 days prior to the start of the new operating period**. NIST HMEP review will **not** commence until all required documents are submitted with the Operating Plan.

The **final Operating Plan** must be submitted in hard copy accompanied by all associated original signed documents to the **NIST HMEP FPO, no later than 60 days prior to the start of the new cooperative agreement period**. The FPO and RMST assigned to the Center are available to support the Center on Operating Plan development prior to the due date. Any delay in meeting this schedule may result in a delay in funding.

The following documents must accompany the Operating Plan for review:

- SF-424 Application for Federal Assistance (CFDA #11.611)
- SF-424A Budget Information – Non-Construction Programs
- SF-424B Assurances – Non-Construction Programs
- CD-511 Certification Regarding Lobbying
- Indirect Cost Rate Approval Document

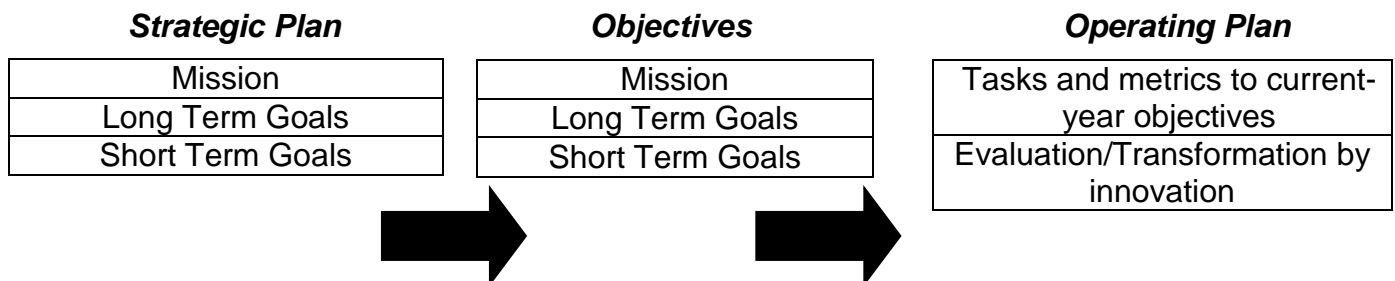
As applicable, the following must accompany the operating plan:

- Documents pertaining to a subaward (including an award made by a subrecipient to a lower-tier recipient) with valuation of \$100,000 or more,
- Documents pertaining to a transfer, or contracting out of any work under the HMEP award with budgeted amounts of \$100,000 or more, and
- Documents pertaining to the valuation of third party cost share contributions of \$100,000 or more.
- The prior approval of the NIST Grants Officer that is required for contracts of \$100,000 or more extends to a vendor that when added to the value of prior awards to the same (or affiliated) vendors have a total combined value of \$100,000 or more and all subsequent contracts to that vendor (or affiliated vendors). This threshold applies to contracts executed during a single operating year rather than those contracts executed across the life of the cooperative agreement. Upon execution of these contracts, the Recipient is to provide copies to the NIST Grants Officer, NIST MEP Federal Program Officer, and NIST MEP Regional Manager for Strategic Transformation (RMST) of all contracts to that same vendor or affiliated vendors awarded by the Recipient.

## The Operating Plan

The Operating Plan is a document that **describes an HMEP Center’s program-specific objectives and goals for the operating year and how the Center will meet them**. It is also a “road map” that communicates the yearly plan to Center staff, Boards of Directors, and other stakeholders.

**The Operating Plan should align with the strategies outlined in the Center’s Strategic Plan and with the HMEP Next Generation Strategies; the Operating Plan should be specific about how those strategies will be implemented for the current year.**



**Figure 1: Plan Alignment**

The Operating Plan should create an outline of goals, strategies, and success measures for each of the identified goals.

## Why An Operating Plan?

The HMEP Operating Plan describes the Center’s scope of work for the funding year in accordance with the MEP General Terms and Conditions, Section 3.

The Operating Plan serves to address the following Center activities:

- Document explicit activity parameters and assumptions about program direction.
- establish a staffing/organizational structure that will enable the Center to meet its operational and strategic goals.
- Focus the Center Team on the specific tasks that the Center must accomplish during the operating year to achieve key objectives with maximum efficiency in fulfilling the mission.
- Establish specific targets for each critical objective.
- Create tasks and milestones that can be used for evaluating performance.
- Help communicate Center activities to its staff and stakeholders.
- Monitor Center progress throughout the operating year award period.
- Track progress toward the latest review recommendations.

#### **NOTE: IMPORTANT DUE DATES**

90 days prior to the start of the new operating year award period, Centers submit to the NIST HMEP FPO a DRAFT Operating Plan.

The following documents must accompany the Operating Plan for review:

- SF-424 Application for Federal Assistance (CFDA #11.611)
- SF-424A Budget Information – Non-Construction Programs
- SF-424B Assurances – Non-Construction Programs
- CD-511 Certification Regarding Lobbying
- Indirect Cost Rate Approval Document

As applicable, the following must accompany the Operating Plan:

- Documents pertaining to a subaward (including an award made by a subrecipient to a lower-tier recipient) with valuation of \$100,000 or more,
- Documents pertaining to a transfer, or contracting out of any work under the HMEP award with budgeted amounts of \$100,000 or more, and
- Documents pertaining to the valuation of third party cost share contributions of \$100,000 or more.
- The prior approval of the NIST Grants Officer that is required for contracts of \$100,000 or more extends to a vendor that when added to the value of prior awards to the same (or affiliated) vendors have a total combined value of \$100,000 or more and all subsequent contracts to that vendor (or affiliated vendors). This threshold applies to contracts executed during a single operating year rather than those contracts executed across the life of the cooperative agreement. Upon execution of these contracts, the Recipient is to provide copies to the NIST Grants Officer, NIST MEP Federal Program Officer, and NIST MEP Regional Manager for Strategic Transformation (RMST) of all contracts to that same vendor or affiliated vendors awarded by the Recipient.

60 Days prior to the start of the new operating year award period, Center submits to NIST HMEP FPO a FINAL Operating Plan.

The following documents must accompany the Operating Plan for review:

- SF-424 Application for Federal Assistance (CFDA #11.611)
- SF-424A Budget Information – Non-Construction Programs
- SF-424B Assurances – Non-Construction Programs
- CD-511 Certification Regarding Lobbying
- Indirect Cost Rate Approval Document

As applicable, the following must accompany the operating plan:

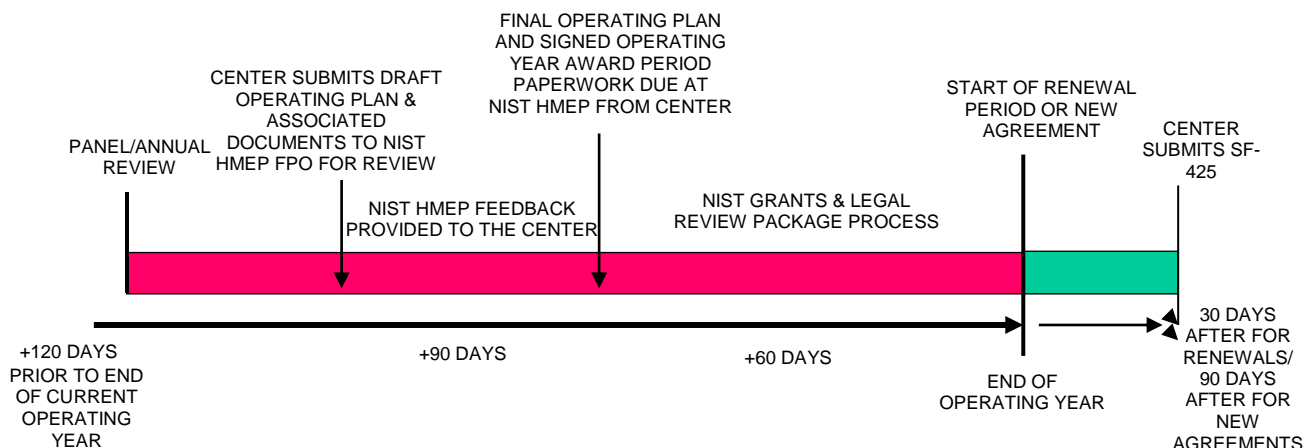
- Documents pertaining to a subaward (including an award made by a subrecipient to a lower-tier recipient) with valuation of \$100,000 or more,
- Documents pertaining to a transfer, or contracting out of any work under the HMEP award with budgeted amounts of \$100,000 or more, and
- Documents pertaining to the valuation of third party cost share contributions of \$100,000 or more.
- The prior approval of the NIST Grants Officer that is required for contracts of \$100,000 or more extends to a vendor that when added to the value of prior awards to the same (or affiliated) vendors have a total combined value of \$100,000 or more and all subsequent contracts to that vendor (or affiliated vendors). This threshold applies to contracts executed during a single operating year rather than those contracts executed across the life of the cooperative agreement. Upon execution of these contracts, the Recipient is to provide copies to the NIST Grants Officer, NIST MEP Federal Program Officer, and NIST MEP Regional Manager for Strategic Transformation (RMST) of all contracts to that same vendor or affiliated vendors awarded by the Recipient.

The Operating Plan Guidelines are intended to assist the Center in preparing a plan that will, at a minimum, satisfy the requirements of NIST HMEP and the NIST Grants & Agreements Management Division (GAMD). Centers may also add additional appendices as desired. *The overall goal is to develop a solid plan that the Center, its staff, and its stakeholders will also find useful and valuable in understanding how the Center's activities will be implemented during the operating year.*

# Developing an Operating Plan

## Timing and Deliverables

All HMEP Centers are required to submit an annual Operating Plan in order to renew their Cooperative Agreements. The following timeline provides the timing and description of the deliverables:



**Figure 2: Operating Plan Timeline**

Approximately 120 days prior to the end of the operating year, the Center will undergo a review, conducted either by the FPO/RMST Team or by a peer review panel. Comments from the review will be provided to the Center to incorporate recommendations, as appropriate, into its new Operating Plan. Guidance, if needed, is available from the assigned NIST HMEP FPO and RMST. In order to ensure timely renewal, a final version of the new Operating Plan – with all changes and edits addressed and reviewed – and all associated signed documents, must be submitted to the NIST HMEP FPO for final processing by the NIST GAMD at least 60 days prior to the end of each funding year as part of the Cooperative Agreement renewal package.

## Amending the Operating Plan

Any changes made to the scope of work and, in some cases, the budget, require a resubmittal to NIST HMEP for recommended approval and final approval from the NIST Grants Officer. The Center is to work with the NIST HMEP FPO/RMST to update, and amend, if necessary, the annual Operating Plan. Changes will become effective via an amendment to the award, signed by the NIST Grants Officer. All associated documents must be resubmitted to NIST HMEP reflecting these changes.

Refer to 15 CFR 14.25, 15 CFR 24.30, the HMEP General Terms and Conditions, and the DoC Financial Assistance Standard Terms and Conditions (A.04) for other changes that may require the NIST Grants Officer's prior approval of an amended Operating Plan.

If a recipient needs to move costs from direct to indirect or vice versa, the recipient must submit this request in writing to the Grants Officer via the NIST HMEP Program Office for approval.

A sub-recipient must submit its request to the recipient for approval. For more details, refer to DoC Financial Assistance Standard Terms and Conditions (A.04.c) for budget changes and transfer of funds categories.

## **PART II: Operating Plan Format**

This document is provided to HMEP Centers as a resource and describes the information needed for a Center Operating Plan. Centers may also include additional information, such as a formal marketing plan, a strategic plan, an innovation practice plan, and an evaluation plan. A Center may also choose to expand on the goals or metrics sections to reflect goals or metrics defined by staff, regional office, partner, or month.

### **Section I: Center Background**

**A. Cover Page (Recommended Length: 1 Page –** A template of a cover page is in Appendix I.)

The cover page of the Operating Plan should list the name of the Center and any d/b/a names, the Legal Recipient of the Cooperative Agreement, the current NIST Cooperative Agreement number, the dates of the operating year, and the date and version number of the plan. \* **Ensure EIN/DUNS number ties to the legal recipient.**

**NOTE: The Cooperative Agreement Number will change every 5 years.**

**B. Mission and Vision (Recommended Length: 1 Page)**

This page should include the Center's mission and vision statements. The goals and tasks for the year that are described in the Operating Plan in the sections following the mission and vision statements should demonstrate relevance towards achieving the mission.

**C. Center Profile (Recommended length: not more than 12 pages).**

Provides brief, factual background information such as Center history, location, governance, size, services, small and medium-sized enterprises (SME) market, and partnerships. Information provided by the Center should be up to date at the time the Operating Plan is submitted.

#### **Brief History of the Center**

- List major milestones in the Center's history. Major milestones include significant changes in State funding and/or Center definition within its territory or host organization that need to be understood before reviewing the Center's strategic directions. Except for indicating when the Center was founded, include information mainly from the last five years.



## **Center Organization and Governance**

- Include the Center's Organizational Diagram. Show linkages to all organizations, for which there are subrecipient agreements. Describe other units of the Center's host organization that relate to the strategy and/or operations of the Center.
- List the Center's Board membership. Indicate the Board Chair. Note members from small manufacturing firms. Also note Board members from the Science and Technology (S&T) community, if any. Indicate the Board's legal relationship to the Center.

## **Center Location(s)**

- Provide a map of the Center's full service territory. On this map, indicate the Center's locations, sub-regions, and/or offices, as appropriate.

## **Center Financial Summary**

- Include the Center's Financial Summary, as follows:
  - (1) Last full Operating Year Revenues and Expenses;
  - (2) Current Year Budgeted Revenues and Expenses; and
  - (3) Next full Operating Year projected Revenues and Expenses.

## **Center Personnel**

- List the Center's Leadership Team. For each leader listed, indicate length of service in this position, the name and title of the person to whom they report, and principal responsibilities.
- List Center full time employees (FTEs), including leadership, by broad categories, such as service delivery, management, etc. Note current vacancies within these categories.

## **Characteristics of the Service Territory**

- Provide information that show numbers of SMEs, employment, and NAICS codes in the Center's defined territory.

## **State and/or Regional Initiatives**

- Briefly outline significant economic development, technology, and innovation initiatives, and/or areas that reflect strategy drivers that affect the Center.

## **Current Center Products and Service Delivery Model**

- List key products or types of products delivered by Center personnel;
- List key products or types of products delivered via third parties and partners. Briefly summarize categories and numbers of third parties/partners used in delivery.
- Give a brief description of the Center's service delivery model. Include percent direct delivery and percent third party delivery for projects.
- Include how the Center monitors third parties/partners relative to the MEP mission, service delivery objectives, and the impact survey.

## **Current Center Partnerships**

- List the Center's current key partnerships, including subrecipients and third parties. Briefly outline the terms under which each partnership operates. List major role(s) of partners and outline how the Center evaluates the performance of partners.
- Do not include NIST and the State as partnerships for this section; however, state agencies that are subrecipients or third party providers may be included as described above.

## **Section II: Strategic Intent – Transition to Innovation**

(Recommended Length: 10-12 Pages)

This section should include the current Strategic goals of the Center, taken from the current Center Strategic Plan. This section should include, in part, the strategic approach the Center intends to take to achieve the HMEP Next Generation Strategies (Section C).

### **A. Strategic Plan**

Provide a brief narrative outline of the Center's strategic plan. Within this outline, provide the following:

- A list of the major requirements of the Center's funding organizations: NIST; the State; and Others, as appropriate.
- A broad overview of the Center's strategic plan that reflects the response to funding organizations' requirements; and
- A summary of the Center's actions and plans in areas of strategy achievement.

### **B. Strategic/Programmatic Goals**

Briefly summarize key information from the Center's strategic plan, given in part A, for the identified areas of strategy definition and achievement. For each area, provide a brief narrative outline.

### **C. HMEP Next Generation Strategies**

Key initiatives should be addressed separately, as applicable to the Center. Provided below are some suggestions for information on how the Center has improved its implementation of each of the Next Generation Strategies.

- Continuous Improvement – Enhances productivity and frees up capacity that will provide manufacturers capacity and capability to pursue innovation and growth.
  - What changes in resources, staff, or third party partners, does the Center expect to make during this operating period to improve delivery of continuous improvement services?
  - How many clients does the Center expect to deliver reportable project activity to over the next operating period?

- Are there other significant changes that the Center be implementing over the next 12 months to improve the adoption and delivery of these services to clients?
- Technology Acceleration – Services being offered to bring innovative and affordable new product and process improvement opportunities adapted to the needs of manufacturers.
  - What changes in partners, resources, staff, or third party partners does the Center expect to make during this operating period to improve delivery of technology acceleration services?
  - How many clients does the Center expect to deliver reportable project activity to over the next operating period?
  - Are there other significant changes the Center will be implementing over the next 12 months to improve the adoption and delivery of these services to their clients?
- Supplier Development – Services and activities provided to improve the competitive position of manufacturers through the development of an efficient supply base and the identification of innovative processes and products. Develop and deliver the national capacity, tools, and services needed to put suppliers in the best position to thrive in existing and future global supply chains.
  - What changes in resources, staff, or third party partners, do you expect to make during this operating period to improve delivery of supplier development services?
  - How many clients do you expect to deliver reportable project activity to over the next operating period?
  - Are there other significant changes that the Center plans to implement over the next 12 months to improve the adoption and delivery of these services to their clients?
- Sustainability – Activities and programs focused on helping companies gain a competitive edge by reducing environmental costs and impact by developing new environmentally-focused materials, products, and processes to gain entry into new markets.
  - What changes in resources, staff, or third party partners do you expect to make during this operating period to improve delivery of sustainability services?
  - How many clients does the Center expect to deliver reportable project activity to over the next operating period?
  - Are there other significant changes that the Center intends to implement over the next 12 months to improve the adoption and delivery of these services to clients?
- Workforce – Activities focused on expanding partnerships and collaborations to develop and deliver the tools and services needed to foster the development of progressive managers and entrepreneurial CEO's and continue to provide training and educational opportunities for the entire manufacturing operation.
  - What changes in resources, staff, or third party partners do you expect to make during this operating period to improve delivery of workforce services?
  - How many clients do you expect to deliver reportable project activity to over the next operating period?
  - Are there other significant changes the Center will be implementing over the next 12 months to improve the adoption and delivery of these services to their clients?

## D. Innovation Goals

This section outlines the Center's efforts to incorporate Innovation Management learning into the Center's strategy. Centers should outline the efforts to:

- **Educate** staff through IELI and IE Black Belt training.
- **Coach** clients in Buy America supplier opportunities via National Innovation Marketplace, Exportech, Innovation Engineering labs, etc.
- **Transform manufacturers** through innovation projects and follow-on with Innovation Engineering Management System.

## Section III: Operating the Strategy

The Center's short-term ways of achieving milestones should be defined in this section and explain what portion of the strategic plan outlined in the Center's Strategic Intent (Section II) and HMEP Next Generation Strategies (section II.c) will be put into operation during the funding period. This section should also include any Center objectives that are the result of recommendations made during the Center's most recent review.

Center should include a description of the execution of an innovation plan for transitioning from a focus on process improvement to the development and implementation of an innovation practice. Centers are encouraged to include goals for continuing activities that are considered to be part of the Center's normal business practices.

Whenever possible, tie metrics to each goal with a comparison to the previous year's goals. Identify expected targets and thresholds for the objectives the center is trying to accomplish. Performance measures may also focus on the performance against stakeholder requirements and value. For Center performance metric, include previous year's actual results and explain how the Center proposes to measure and monitor the effectiveness between actual and targeted performance.

### A. Market Understanding

Provide a brief narrative summary of the Center's market data/information needs derived from its strategy and describe how the Center will acquire or develop such data/information. Focus on new market data/information needs that ensure support for all requirements of funding organizations listed in part A.

### B. Business Model

Provide a brief narrative summary of how the Center's business model plan supports the accomplishment of the strategy. Include basic information, such as planned changes in products/services, delivery, use of partners, and staff deployment, and/or other key changes anticipated.

## C. Partnerships

Provide a brief narrative summary of the Center's partnership strategy. Include key partners, partner types, and roles that support the Center's overall requirements, strategies, and purposes. This should include State relations, key infrastructure support/development, and MEP network partnership responsibilities, as well as third party contributors and contractors.

## Section IV: Financials

### A. Budget

The Center's proposed budget for the funding period is divided into two sections:

- Federal/Non-Federal Sources of Funds and Expenses/Uses of Funds.
- The Federal/Non-Federal section should list sources, such as:
  - NIST HMEP
  - State
  - Project/Services Fees (Program Income Projected)
  - Anticipated Unexpended Program Income from Prior Operating Years
  - Third Party Contributions and/or Subrecipients

The expense section should list the expense categories of the Center. Figures on budget/narrative (SF-424, SF-424A) should be rounded to nearest dollar. **All budgets should include an explanation of the accounting system (i.e., accrual or cash) and document expenses and activities.**

Subaward costs within the Operating Plan package are to be captured in total within the "Contractual" line with a request to roll them up under a separate sub-item within Contractual as Sub-recipient Agreements (SRA) and Third Party Contributor (TPC) agreements. Each subaward must contain a budget detailing the activities to be completed and their associated costs.

**Note: Dollar amounts listed in the Subaward/Third Party Contributor table must be traceable directly to the budget and budget narrative.**

**Cost Share** – Cost share commitments must be met on an annual basis in accordance with the Center's approved budget. Any cost sharing must be in accordance with the "cost sharing or matching" provisions of 15 CFR Part 14 or 15 CFR 24 and the Current NIST HMEP General Terms and Conditions. Costs included as cost share must be reasonable, allocable to the project, and allowable under the applicable Office of Management and Budget (OMB) cost principles: 2 CFR 225, 2 CFR 230, and 2 CFR 220.

## B. Budget Narrative

This section should include a budget narrative that ties to the number and categories contained in the Center Budget. Quantifiable detail should be provided so that NIST HMEP and NIST GAMD can make a preliminary determination on the allowability, allocability, and reasonableness of the proposed costs.

**Program Income** – Application of program income should be consistent with 15 CFR Sec. 14.2(aa), .22(g), and .24, and 15 CFR Sec. 24.21(f) and .25 and the current NIST HMEP General Terms and Conditions.

**Planned Program Income Level** – If the Center has plans of establishing program income, it must provide a discussion of the basis for and targeted level of planned program income. The Center will also include in the discussion a business plan for the planned program income level.

**Indirect Cost Rate** – Attach indirect cost rate proposal or approval with Operating Plan as well as indirect cost rate correspondence from the cognizant agency. Please also explain basis for rate determination. Once the Center receives final approval it must submit a copy of the approval to the NIST Grants Officer.

**SF424/SF424A** – Line 7a on SF-424A should reflect projected program income generated for the period and also include the amount of unexpended program income proposed to be used during the upcoming operating period.

**Fringe Benefits** – This category includes the rate and baseline as well as employer costs for benefits including health insurance, dental insurance, life insurance, pension plans, cafeteria (FLEX), and PTO. These expenses are consistent with the headcount for the Center. This category is net of employee co-pays and does not represent contributions made by employees.

## C. Unexpended Federal funds at the end of the Operating Period

NIST HMEP does not anticipate Centers having unexpended Federal funds (UFF). Any Center with UFF at the end of the operating period is required to submit a revised SF-424A reflecting the budget changes from the prior operating period.

If a Center has UFF at the end of the operating period, it may request NIST HMEP review and approval to carry those funds forward into the next operating period. There are two options available for carrying UFF forward, as outlined below.

**Option A:** If a Center has unexpended Federal Funds at the end of its Operating Year that it wishes to **carry forward towards the normal base funding in the new Operating Year**, the Center is required to submit to NIST HMEP a letter requesting to carry forward the total amount of unexpended Federal funds into the upcoming Operating Year within the normal base funding. Include an explanation of why the funds were not expended in the previous Operating Year along with an updated budget chart for the previous year that reflects the realized budget (Federal/non-Federal).

If the NIST Grants Officer, with NIST HMEP's recommendation, approves the Center's request, the unexpended Federal Funds for the previous Operating Year will be applied towards the annual base award amount for the upcoming Operating Year.

**Option B:** If a Center has unexpended Federal Funds at the end of its Operating Year that it wishes to **carry forward above its annual award amount**, the Center is required to submit to NIST HMEP a letter requesting to carry forward the total amount of unexpended Federal funds above its annual award amount.

1. Include an explanation of why the funds were not expended in the previous Operating Year along with an updated budget chart for the previous year that reflects the realized budget (Federal/non-Federal). Detail how the unexpended funds will be applied in the new Operating Year above and beyond the Center's normal scope of operation.
2. Include unexpended Federal dollar amount on Operating Plan budget chart and reflect appropriate cost share.
3. Include a description about the use of unexpended Federal dollars in Operating Plan budget narrative.
4. The combined annual base award amount and unexpended amount should be reflected on the SF-424 and SF-424A.
5. Prepare revised operating plan budget and SF-424A for the prior year to reflect where the funds were not expended.

## APPENDIX I

### Sample Operating Plan Cover Sheet Template

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**Cover Page** *(Center may choose to add their logo on the cover page)*

#### OPERATING PLAN

**HMEP (DBA) and Legal Recipient Name**

Current Operating Period Dates

Version 1.X \*

Cooperative Agreement Number: 70NANBXHXXXX

Submitted: DATE - Month/Day/Year

\* Indicate version number for tracking



## APPENDIX II: SAMPLE BUDGET TABLE

Budget table and narrative below is a recommended format for recipients to follow.

### Operating Plan BUDGET

Current Operating Period

Category	Cash <sup>1</sup>	In-kind <sup>1</sup>	Total
<b>Revenue</b> (Federal and Non-Federal Cost Share)			
NIST MEP Funds <sup>2</sup>			
Unexpended Federal Funds from previous operating period to be used ABOVE base <sup>3</sup>			
State/Local Funds			
Unexpended Program Income <sup>4</sup>			
Project/Service Fees			
Other <sup>5</sup>			
Interest & Dividends			
Subrecipient Cost Share			
Third Party Contributions <sup>6</sup>			
<b>TOTAL REVENUE</b>			
<b>Expenses</b>			
Personnel			
Fringe Benefits			
Travel			
Equipment			
Supplies			
Contractual Total			
Professional Service			
Fees paid to Third Party Service Providers			
Sub-recipient <sup>7</sup>			
Sub-recipient Cost Share <sup>8</sup>			
Third Party Contributions			
Other total			
Training			
Rent & Utilities			
Office Expenses			
Marketing			
Other Admin			
Indirect costs			
<b>TOTAL EXPENSES</b>			
<b>TOTAL REVENUE – TOTAL EXPENSES</b>			

**Footnotes below provide further guidance. Do not include footnotes in your budget.**

<sup>1</sup> Reference 15 CFR Part 290.4(c) for definitions.

<sup>2</sup> This line should reflect up to but no more than the annual base level of Federal Funding available to the Center.

<sup>3</sup> This line should reflect only the unexpended Federal funds amount being applied **above** base annual amount. The Center must include in the budget narrative, an explanation for the inability to expend the funds in the previous operating year. A business case for the use of these funds must also be included in the budget narrative.

**Note:** The amount reflected in this line is the sum of any prior year unexpended Federal funding to be carried forward. The narrative should specify and describe the composition of the total amount if requested amount is for more than one prior operating year.

<sup>4</sup> If this object line is > \$0, Center must include in budget narrative a business case for the use of any funds for the current operations or for year to year business continuity requirements.

<sup>5</sup> Must provide detailed breakdown and fully explain in the narrative section (including Center and subaward/partner cost share).

<sup>6</sup> Third party contribution does not appear as a separate line item on the SF-424 but needs to be listed separately on this budget for the HMEP evaluation purposes.

<sup>7</sup> Sub-recipient: Recipient (Center) provided funding to the Sub-recipient.

<sup>8</sup> Sub-recipient Cost share: Total cash and in-kind estimated cost share provided to the Recipient (Center).

General Note: **The cost categories provided under “Other total” are just examples.**

## APPENDIX III: SUBAWARDS/THIRD PARTY IN-KIND CONTRIBUTIONS TABLE

(DO NOT INCLUDE CONTRACTS/SUBCONTRACTS ON THIS TABLE)

**XHMEP**  
**Period: Current Operating Year**  
**Date of Submission**

				Center Contribution	Subaward/Third Party Contributions				
				1	2	3	4	SUM 2 + 3 + 4	
					Funding 12 MONTHS	Funding 12 MONTHS (290.4(c)(4))	Funding 12 MONTHS (290.4(c)(5))	Funding 12 MONTHS	
Organization Name	Agreement Period	Staff Responsible for Monitoring of Agreement	Agreement Type Subaward or Third Party Contributions (TPC)	Center-provided Funding (Federal or Non-Federal) to the Sub-recipient Under the Award <sup>1</sup>	Estimated Cost Share CASH	Estimated Cost Share THIRD PARTY IN-KIND (Including full-time personnel)	Estimated Cost Share THIRD PARTY IN-KIND <sup>2</sup> (Part time personnel)	Total Estimated Cost Share to Center	Purpose/Nature of Cost Share <sup>3</sup>
<b>TOTAL</b>									

Notes:

<sup>1</sup> Per 15 CFR Part 290.4 please state the dollar amount proposed/budgeted (or the value of property provided in lieu of money) by the Center under the award to the partner organization.

<sup>2</sup> Third party in-kind contributions of part-time personnel, equipment, software, rental value of centrally located space (office and laboratory) and other related contributions may be up to a maximum of one-half of the recipient's share. Allowable capital expenditures may be applied in the award funding period expended or in subsequent funding periods consistent with the written accounting procedures of the recipient. See 15 CFR Part 14.23 and 24.24 for rules governing valuation of contributions of services and property.

<sup>3</sup> Purpose/Nature of cost share refers to the RELATED EXPENSE and the related tasks of the scope of work. Provide a narrative description of the manner in which the cost share accomplishes programmatic objectives and will further the impact of the Federal investment made to the Center and identify the nature of the contribution, e.g. office space, partner staff, etc.

Dollar amounts listed in the Subawards/Third Party In-Kind Contributions Table must tie directly to the budget and be described in the budget narrative.

Each item of the Subawards/Third Party In-Kind Contributions Table should be shown as a separate line item in the budget funding section and narrative.

**Reminder: A Center should articulate in this section its Subaward/Third Party monitoring process and identify the Center Point of Contact who will be responsible for monitoring Subaward/Third Party activities.**

## APPENDIX IV: DEFINITIONS AND REFERENCES

### A. Subawards

Per 15 CFR § 14.2(ii) and 15 CFR § 24.3, **Subaward** means an award of financial assistance in the form of money made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient. The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include procurement of goods and services nor does it include any form of assistance, which is excluded from the definition of “award” in 15 C.F.R. § 14.2(f) or from the definition “grant” in 15 CFR § 24.3. The term does not include technical assistance, which provides services instead of money.

Center operators must comply with the prior approval requirements set forth in Hollings Manufacturing Extension Partnership *General Terms and Conditions*, Section 10. *Notifications and Prior Approvals*, which generally applies to subawards with budgeted amounts in excess of \$100,000.

### B. Subrecipients

Per 15 CFR § 14.2(jj) and 24.3, **Subrecipient** means the legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. A subaward is created whenever the recipient provides financial assistance under the award in the form of money (Federal or non-Federal).

All subrecipient agreements (subawards), must, at a minimum, include:

- CFDA Number, Award Number, Award performance period, and Awarding Agency (for audit purposes),
- Project Scope/Operating Plan (should show relationship (nexus/linkage) between Center Operating Plan and subrecipient’s scope of work),
- Detailed Object Class Budget,
- Administrative and Legal remedies for failure to adhere to the terms and conditions of the agreement, and
- All applicable flow-down provisions including audit clauses from the NIST awarded Cooperative Agreement. [Including “Retention and access requirements for records” under 15 CFR § 14.53 or 24 CFR § 24.42 (as applicable).]

Although HMEP awards are not considered research awards, a model subaward agreement used in government-wide research awards may be useful to HMEP recipients and is available at the following web site:

[http://sites.nationalacademies.org/PGA/fdp/PGA\\_056020](http://sites.nationalacademies.org/PGA/fdp/PGA_056020)

**NOTE:** An example of acceptable flow-down language would be: “All terms of the attached NIST cooperative agreement apply to the sub-recipient, except those specifically excluding subrecipients from coverage and those setting forth the scope of work, budget, and cost share, unless specifically addressed in the award. Terms that flow down include all Federal, Commerce Department, and HMEP statutes, regulations, and program requirements. Flow down provisions that on the recipient level require interactions between the recipient and NIST, such as payment mechanisms, program and financial reporting, and prior approvals, on the subrecipient level require that the same or analogous interactions occur between the subrecipient and the recipient, and not between the subrecipient and NIST.

It is the responsibility of the Center to monitor all subrecipient activity and to make a determination that all costs that are claimed as either direct reimbursement from the HMEP or as matching share are allowable, allocable, and reasonable. Documentation related to non-Federal cost share that meets the administrative regulations and cost principles governing the agreement must be maintained throughout the life of the cooperative agreement. The Center should ensure that the subrecipient has complied with all the terms of the subrecipient agreement and maintains documentation supporting all costs. Any disallowed costs as a result of an audit that involve the costs of the subrecipient is the responsibility of the recipient

**The Operating Plan should include a brief description of the Center monitoring process and identify the Center point of contact that will be responsible for this process.**

In almost all instances, subawards involve the provision of money from a Center to another entity under the HMEP award. In the unusual event that a Center is considering the provision of property rather than money, it should discuss any such potential subrecipient arrangements with the FPO promptly.

If the Center receives more than the budgeted cost share from its subrecipients, then the subrecipient agreement must highlight the specific activities that will contribute to the HMEP Program and a budget reflecting those specific activities.

Sub-recipient agreements with budget amounts in excess of \$100K, included under either the Federal share or non-Federal share, must be approved, in advance and in writing, by the NIST Grants Officer. Additionally, in the unlikely event of a subaward involving property in lieu of money from the Center, the agreement must be reviewed and approved in advance by the NIST Grants Officer.

In accordance with the flow down requirements of the award, all subrecipient awards under the HMEP cooperative agreement, must also include the applicable uniform administrative requirements and general and special award conditions that accompany the cooperative agreement and apply to the HMEP Center.

## C. Third Party In-Kind Contributions

Third party in-kind contributions means the value of non-cash contributions provided by non-Federal third parties at no cost to the recipient and may be in the form of real property, equipment, supplies, and other expendable property, and the value of goods and services directly benefitting and specifically identifiable to the HMEP Center. See 15 C.F.R. § 14.2(n) and 15 C.F.R. § 24.3. Third party in-kind contributions should be documented by an appropriate agreement between the HMEP recipient or subrecipient receiving the contribution and the non-Federal, third party contributor.

The specific rules governing third party in-kind contributions including allowability, allocability, reasonableness and valuation, are set forth in 15 C.F.R. § 14.23 and 15 C.F.R. § 24.24 (as applicable) and in the Federal cost principles applicable to the HMEP award. See also HMEP General Terms and Conditions #16 (February 2012). Guidance in the OMB Circular A-133 compliance supplement can also be helpful to the Center in ensuring they report and document properly all types of matching, including third party in-kind contributions.

There are several types of third party in-kind contributions, including but not limited to in-kind donations of services, equipment and supplies. The most common type of third party in-kind contribution for the MEP program is the Center's receipt of donated or volunteered (i.e., unpaid) services by employees of another organization, which must be valued in accordance with 15 C.F.R. § 14.23(d) or 15 C.F.R. § 24.24(c)(2) (as applicable):

### 15 C.F.R. § 14.23 (universities and non-profits)

- (d) Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- (e) When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.

### 15 C.F.R. § 24.24 (state and local governments):

- (c) Valuation of donated services – (1) Volunteer services. Unpaid services provided to a grantee or sub-grantee by individuals will be valued at rates consistent with those ordinarily paid for similar work in the grantee's organization. If the grantee or sub-grantee does not have employees performing similar work, the rates will be consistent with those

- ordinarily paid by other employers for similar work in the same labor market. In either case, a reasonable amount for fringe benefits may be included in the valuation.
- (c)(2) Employees of other organizations. When an employer other than a grantee, sub-grantee, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay exclusive of the employee's fringe benefits and overhead costs. If the services are in a different line of work, paragraph (c)(1) of this section applies.

## D. Contracts

Per 15 CFR § 14.2(i) and 15 CFR § 24.3 (as applicable), **contract** means a procurement contract under an award or subaward, and a procurement subcontract under a recipient's or subrecipient's contract. All contracts awarded under the HMEP cooperative agreement must comply with 15 CFR § 14.40 through 14.48 or with 15 CFR § 24.36 (as applicable), and with Section J. of the DoC Standard Terms and Conditions.

At a minimum, the contracts should include:

- Type of procurement instrument (cost plus fixed fee, firm fixed price, etc.)
- Budget or Price
- Scope of Work
- Administrative and legal remedies for non-compliance or breach of contract terms
- Termination Clause – including the manner by which the termination shall be effected and the basis for settlement. In addition, a description of conditions when a contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor must be included.
- Access to Books and Records Clause – Allows the Center, DOC, NIST, DOC/OIG, the Comptroller of the U.S., or any duly authorized representative, to access the books, documents, papers and records of the contractor which are directly pertinent to the specific program for the purpose of making audits, examinations, excerpts, and transcriptions.
- Payment terms
- The contract provisions required by Appendix A to 15 C.F.R. part 14 or by 15 C.F.R. § 24.36(i) (as applicable)
- New Restrictions on Lobbying – 15 CFR Part 28
- Debarment and Suspension – 2 CFR Part 1326
- Cost Principles – 48 CFR 31.2

Recipients must also comply with the prior approval requirements set forth in *HMEP General Terms and Conditions*, Section 10, *Notifications and Prior Approvals*, which generally applies to contracts with budgeted amounts of \$100,000 and over.

## E. HMEP General Terms and Conditions

The *HMEP General Terms and Conditions* set forth the requirements that the Center has agreed to by entering into a cooperative agreement with HMEP. This document applies to all

Recipients of cooperative agreement awards under the HMEP. The current version can be found in MEP's Enterprise Information System (MEIS) at [MEP General Terms and Conditions](#) within the CFO Community of Practice.

#### **F. HMEP Audit & Compliance Guide (February 2008 Version 1b)**

The *HMEP Audit & Compliance Guide* is intended to assist Recipients and their auditors by providing a general program overview and guidance in complying with program and government regulations. The Guide can be found in MEIS at [MEP Audit and Compliance Guide](#) in MEIS within the CFO Community of Practice. The Guide is not a compliance supplement and does not conflict with the requirements of OMB Circular A-133 (Audits of States, Local Government, and Non-Profit Organizations). The guide includes a comprehensive discussion of regulations and requirements as they apply to the HMEP Program, illustrations of the application of the regulations and requirements to HMEP activities, samples of required forms and reports, and suggested audit procedures. Examples of topics include:

- Cost Share definition and requirements (Federal and non-Federal)
- Subrecipients and Subawards
- Procurement Standards
- Program Income
- Audit requirements
- Cash Management
- Allowable and Unallowable Costs



## G. Regulations and Guidelines

Below is a list of HMEP-related documents that are crucial to ensuring compliance with HMEP program requirements. This is not an all-inclusive list but intended to highlight the major requirement sources.

- [15 USC 278k](#) Sections 25 and 26 - National Institute of Standards and Technology Act, as amended
- [15 CFR Part 14](#), Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, Other Non-Profit, and Commercial Organizations
- [15 CFR Part 24](#), Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- 2 C.F.R. part 220 (OMB Circular A-21)  
([http://www.access.gpo.gov/nara/cfr/waisidx\\_10/2cfr220\\_10.html](http://www.access.gpo.gov/nara/cfr/waisidx_10/2cfr220_10.html)), Cost Principles for Educational Institutions
- 2 C.F.R. part 225 (OMB Circular A-87)  
([http://www.access.gpo.gov/nara/cfr/waisidx\\_10/2cfr225\\_10.html](http://www.access.gpo.gov/nara/cfr/waisidx_10/2cfr225_10.html)), Cost Principles for State, Local and Indian Tribal Governments
- 2 C.F.R. part 230 (OMB Circular A-122)  
([http://www.access.gpo.gov/nara/cfr/waisidx\\_10/2cfr230\\_10.html](http://www.access.gpo.gov/nara/cfr/waisidx_10/2cfr230_10.html)), Cost Principles for Non-Profit Organizations
- [OMB Circular A-133](#), Audits of States, Local Governments, and Non-Profit Organizations
- [2 CFR Part 1326](#), Department of Commerce Implementation of OMB Guidance on Non-procurement Debarment and Suspension
- [15 CFR Part 28, Appendix A](#), Certification Regarding Lobbying
- [15 CFR Part 29](#), Drug Free Workplace
- DOC Financial Assistance Standard Terms and Conditions  
(<http://oam.eas.commerce.gov/docs/GRANTS/DOC%20STCsMAR08Rev.pdf>)
- MEP General Terms and Conditions,  
<https://meis.nist.gov/layouts/MEIS/CoP/CoPSubmissionEdit.aspx?SubmissionID=812>
- [15 CFR Part 290](#), Regional Centers for the Transfer of Manufacturing Technology
- *The Federal Register Notice and the accompanying Announcement of Federal Funding Opportunity (FFO) applicable to the specific HMEP award. See, e.g., 66 FR 15219 (March 16, 2001); 68 FR 12890 (March 18, 2003); and 75 FR 6355 (February 9, 2010).*
- OMB NO: 0693-0032 (PRA), NIST HMEP Management Information Reporting System